

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 93-670-W/S - ORDER NO. 95-362✓
FEBRUARY 9, 1995

IN RE: Application of Mountain Bay Estates) ORDER DENYING
Utility Company, Inc. for an Increase) PETITION FOR
in Water and Sewer Rates.) REHEARING AND/OR
) RECONSIDERATION

This matter comes before the Public Service Commission of South Carolina (the Commission) on the February 3, 1995 Petition for Rehearing and/or Reconsideration of Order Denying Approval of Bond. For the reasons stated below, this Petition must be denied.

First, Mountain Bay Estates Utility Company, Inc. (Mountain Bay) states that in its Order No. 95-149 in this docket, that the Commission failed to acknowledge that Mountain Bay's proposal included an irrevocable letter of credit equal to 12% of the ascending balance of the proposed rate increase. Mountain Bay states that this letter of credit was to secure the interest. The Commission holds that the letter of credit does nothing to contribute to the reasonableness of the surety for the principal amount. Therefore, we believe that failure to acknowledge the letter of credit was simply harmless error.

Second, Mountain Bay states that the Commission erred in finding that the proposed lockbox arrangement inadequately protects the Company's customers and is an insufficient surety. The Company states that a situation whereby a number of customers failed to pay the original amounts would not affect the reasonableness of the

surety in this particular case. The Commission reaffirms that contention and would further state that any potential bond scheme that would yield the possibility of less than the full amount of the rate increase is simply inadequate protection for the customers of the utility. In our opinion, the lockbox scheme fails to protect the customers of the utility in that numerous customers could fail to pay their billed rates, thereby leaving few monies to refund in the event that the Company's rate increase denial was affirmed by the Circuit Court. Purely and simply, the lockbox scheme does not furnish a sufficient surety to protect the customers of the utility. Therefore, the Petition for Rehearing and/or Reconsideration of the Order Denying the Approval of Bond is denied. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)